



SOUTHERN NEVADA WATER AUTHORITY

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January 5, 2009

Ms. Kim Mitchell
Manager
Arizona Water Banking Authority
3550 N. Central Avenue
Phoenix, Arizona 85012

Dear Ms. Mitchell:

The Southern Nevada Water Authority (Authority) has recently reviewed the Amended Agreement for Interstate Banking dated January 1, 2005 (Agreement). The conditions envisioned at the time the Agreement was executed have changed. For example, at the time the Agreement was executed the parties anticipated that the Authority would begin recovering Long-term Storage Credits as early as 2007. Current projections indicate that no water banked pursuant to the Agreement will be recovered for several years. There also appear to be other areas where the parties could add flexibility to the agreement in light of these changed circumstances.

The Authority is currently discussing recovery opportunities with the Central Arizona Water Conservation District (CAWCD) and the Arizona Water Banking Authority (AWBA). During these discussions the subject of credit recovery as a means of creating Intentionally Created Unused Apportionment has been raised. This method of recovery is recognized in the Storage and Interstate Release Agreement, and is included in the Metropolitan Water Authority's agreement with the CAWCD and the AWBA. The Authority's Agreement does not currently include this type of provision and we would like to discuss the inclusion of this method of recovery in the Agreement.

The Authority has reviewed the AWBA's recently approved 2009 Plan of Operation (2009 Plan) and notes that it does not currently include any water scheduled for interstate water banking. As you are aware, the Agreement calls for a \$23 million payment for the purchase and storage of water in 2009 into an Operation Account. While the Authority stands ready to make this payment, discussing options for more flexibility in making future payments seems prudent given current fiscal conditions.

We look forward to scheduling an opportunity with you to discuss creating additional flexibility in the operation of the Agreement at your earliest convenience.

Sincerely,

Kay Brothers
Deputy General Manager
Engineering and Operations

KB/df

cc: William E. Rinne, Director – Surface Water Resources
Thomas Carr, Assistant Director – Arizona Department of Water Resources
Larry Dozier, Deputy General Manager – Central Arizona Water Conservation District

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